

# House File 2467 - Introduced

HOUSE FILE 2467

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 675)

## A BILL FOR

1 An Act relating to Iowa's urban renewal law by establishing  
2 restrictions on the use of divided revenues, establishing  
3 restrictions on the issuance of certain bonds and  
4 indebtedness, modifying the methodology for calculating the  
5 amount of divided revenues, and including effective date  
6 provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 403.5, subsection 2, paragraph b,  
2 subparagraph (1), Code 2014, is amended to read as follows:

3 (1) Prior to its approval of an urban renewal plan which  
4 provides for a division of revenue pursuant to section 403.19,  
5 the municipality shall mail the proposed plan by regular mail  
6 to the affected taxing entities. The municipality shall  
7 include with the proposed plan notification of a consultation  
8 to be held between the municipality and affected taxing  
9 entities prior to the public hearing on the urban renewal plan.  
10 If For urban renewal plans and urban renewal projects approved  
11 before the effective date of this Act, if the proposed urban  
12 renewal plan or proposed urban renewal project within the urban  
13 renewal area includes the use of ~~taxes~~ revenue resulting from a  
14 division of ~~revenue~~ taxes under section 403.19, subsection 2,  
15 for a public building, including but not limited to a police  
16 station, fire station, administration building, swimming  
17 pool, hospital, library, recreational building, city hall, or  
18 other public building that is exempt from taxation, including  
19 the grounds of, and the erection, equipment, remodeling, or  
20 reconstruction of, and additions or extensions to, such a  
21 building, the municipality shall include with the proposed  
22 plan notification an analysis of alternative development  
23 options and funding for the urban renewal area or urban renewal  
24 project and the reasons such options would be less feasible  
25 than the proposed urban renewal plan or proposed urban renewal  
26 project. A copy of the analysis required in this subparagraph  
27 shall be included with the urban renewal report required under  
28 section 331.403 or 384.22, as applicable, and filed by December  
29 1 following adoption of the urban renewal plan or project.  
30 Urban renewal plans and urban renewal projects approved on or  
31 after the effective date of this Act shall not include the use  
32 of revenue resulting from a division of taxes under section  
33 403.19, subsection 2, for a public building, including but  
34 not limited to a police station, fire station, administration  
35 building, swimming pool, hospital, library, recreational

1 building, city hall, or other public building that is exempt  
2 from taxation, including the grounds of, and the erection,  
3 equipment, remodeling, or reconstruction of, and additions or  
4 extensions to, such a building.

5 Sec. 2. Section 403.9, subsection 2, Code 2014, is amended  
6 to read as follows:

7 2. a. Bonds issued under this section shall not constitute  
8 an indebtedness within the meaning of any constitutional or  
9 statutory debt limitation or restriction, and shall not be  
10 subject to the provisions of any other law or charter relating  
11 to the authorization, issuance or sale of bonds. Bonds issued  
12 under the provisions of this chapter are declared to be issued  
13 for an essential public and governmental purpose and, together  
14 with interest thereon and income therefrom, shall be exempted  
15 from all taxes.

16 b. A municipality shall not incur indebtedness under this  
17 chapter or under another provision of law that qualifies for  
18 payment from the special fund created in section 403.19,  
19 except for refunding or refinancing of indebtedness that  
20 does not result in an increase in the municipality's total  
21 outstanding indebtedness payable from the special fund created  
22 in section 403.19, if the sum of the municipality's outstanding  
23 indebtedness payable from the special fund created in section  
24 403.19 plus any outstanding indebtedness of the municipality  
25 that is subject to the debt limitation of Article XI, section  
26 3, of the Constitution of the State of Iowa and that does not  
27 qualify for payment from the special fund created in section  
28 403.19 exceeds an amount equal to five percent of the value of  
29 the taxable property within the municipality.

30 Sec. 3. Section 403.12, subsection 1, paragraph f, Code  
31 2014, is amended to read as follows:

32 f. Cause Subject to the limitation in section 403.5,  
33 subsection 2, paragraph "b", subparagraph (1), cause public  
34 buildings and public facilities, including parks, playgrounds,  
35 and recreational, community, educational, water, sewer or

1 drainage facilities, or any other works which it is otherwise  
2 empowered to undertake to be furnished;

3     Sec. 4. NEW SECTION.   **403.18A Urban renewal area and**  
4 **division of revenue limitations.**

5     1. Each municipality having an urban renewal area in  
6 existence on the effective date of this Act that is subject  
7 to a division of revenue under section 403.19 that is not  
8 limited in duration under either section 403.17, subsection  
9 10, or section 403.22, subsection 5, shall be subject to the  
10 assessment roll limitation in subsection 2, as modified under  
11 subsection 3, if applicable.

12     2. *a.* For each such urban renewal area described in  
13 subsection 1, the urban renewal area, including all applicable  
14 urban renewal plans, projects, and ordinances providing  
15 for a division of revenue, shall continue in effect under  
16 this chapter, until such time that the urban renewal area  
17 is dissolved by the municipality or until the urban renewal  
18 area terminates under the conditions of this section. The  
19 municipality may continue to incur or issue additional costs  
20 or indebtedness for such urban renewal area, including loans,  
21 advances, and bonds, that qualify for payment from the special  
22 fund created in section 403.19 on or after the effective date  
23 of this Act and until dissolution or termination of the urban  
24 renewal area.

25     *b.* Except as otherwise provided in subsection 3, and  
26 notwithstanding any provision of this chapter to the contrary,  
27 for fiscal years beginning on or after July 1, 2015, when  
28 calculating a division of revenue for an urban renewal area  
29 described in subsection 1, and for which the difference between  
30 the year of the assessment roll referred to in section 403.19,  
31 subsection 1, and the year of the assessment roll used to  
32 calculate the total amount of property taxes under section  
33 403.19 for the fiscal year in which the taxes are due and  
34 payable, exceeds twenty years, the year of the assessment  
35 roll referred to in section 403.19, subsection 1, shall be

1 adjusted by increasing the year of the assessment roll by two  
2 assessment years. Following the initial adjustment under this  
3 paragraph, the year of the assessment roll used to calculate  
4 the amount of taxes referred to in section 403.19, subsection  
5 1, shall be further increased in each subsequent fiscal year  
6 by two assessment years until the assessment roll used to  
7 calculate the amount of taxes referred to in section 403.19,  
8 subsection 1, is later in time than the year of the assessment  
9 roll used to calculate the total amount of property taxes under  
10 section 403.19 for the fiscal year in which the taxes are due  
11 and payable, at which time the urban renewal area, including  
12 all applicable urban renewal plans, projects, and ordinances  
13 providing for a division of revenue, shall terminate and be of  
14 no further force and effect.

15 3. a. For an urban renewal area identified in subsection  
16 1, following the first fiscal year for which the difference  
17 between the year of the assessment roll used to calculate the  
18 amount of taxes referred to in section 403.19, subsection 1,  
19 and the year of the assessment roll used to calculate the total  
20 amount of property taxes subject to division under section  
21 403.19 for the fiscal year in which taxes are due and payable,  
22 following an adjustment under subsection 2 of this section, is  
23 less than twenty years, but before the difference between the  
24 years of the assessment rolls, as adjusted under subsection  
25 2, is less than fifteen years, if the governing bodies of all  
26 affected taxing entities irrevocably authorize, by resolution,  
27 the municipality to modify the year of the assessment roll used  
28 to calculate the amount of taxes referred to in section 403.19,  
29 subsection 1, the municipality may modify the year of the  
30 applicable assessment roll in the manner provided in paragraph  
31 "b".

32 b. If authorized by resolution of all affected taxing  
33 entities under paragraph "a", the year of the assessment roll  
34 used to calculate the amount of taxes referred to in section  
35 403.19, subsection 1, shall be the assessment roll used to

1 calculate the amount of taxes referred to in section 403.19,  
2 subsection 1, for the fiscal year in which the last affected  
3 taxing entity adopted the resolution. The assessment roll  
4 authorized to be used under this subsection shall be used to  
5 calculate the amount of taxes referred to in section 403.19,  
6 subsection 1, for each subsequent fiscal year following the  
7 fiscal year in which the last affected taxing entity adopted  
8 the resolution until such time that the urban renewal area is  
9 dissolved or until such time that the urban renewal area is  
10 terminated under this section, whichever is earlier. An urban  
11 renewal area authorized for modification under this subsection,  
12 including all applicable urban renewal plans, projects,  
13 and ordinances providing for a division of revenue, shall  
14 terminate and be of no further force and effect on the date for  
15 termination that would, but for operation of this subsection,  
16 be required under subsection 2.

17 4. The department of management shall adopt rules necessary  
18 to implement and administer this section.

19 Sec. 5. Section 403.19, Code 2014, is amended by adding the  
20 following new subsection:

21 NEW SUBSECTION. 3A. Except as provided in section 403.22,  
22 an ordinance providing for a division of revenue under this  
23 section that is adopted on or after the effective date of  
24 this Act, including an ordinance providing for a division  
25 of revenue for an economic development area under section  
26 403.17, subsection 10, shall be limited to twenty years from  
27 the calendar year following the calendar year in which the  
28 municipality first certifies to the county auditor the amount  
29 of any loans, advances, indebtedness, or bonds that qualify for  
30 payment from the division of revenue provided in this section.  
31 The urban renewal area, including all applicable urban renewal  
32 plans, projects, and ordinances, shall terminate and be of  
33 no further force and effect following the twenty-year period  
34 provided in this subsection.

35 Sec. 6. EFFECTIVE UPON ENACTMENT. This Act, being deemed of

1 immediate importance, takes effect upon enactment.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with  
4 the explanation's substance by the members of the general assembly.

5 This bill relates to Iowa's urban renewal law.

6 The bill provides that urban renewal plans and urban renewal  
7 projects approved on or after the effective date of the bill  
8 shall not include the use of revenue resulting from a division  
9 of taxes for a public building, including but not limited to a  
10 police station, fire station, administration building, swimming  
11 pool, hospital, library, recreational building, city hall, or  
12 other public building that is exempt from taxation, including  
13 the grounds of, and the erection, equipment, remodeling, or  
14 reconstruction of, and additions or extensions to, such a  
15 building.

16 The bill strikes provisions of Code section 403.9 relating  
17 to whether the bonds issued under that Code section constitute  
18 indebtedness for purposes of constitutional and statutory  
19 debt limitations. The bill also provides that a municipality  
20 shall not incur indebtedness under Code chapter 403 or under  
21 another provision of law that qualifies for payment from  
22 the municipality's special fund created under Code section  
23 403.19, with some exceptions, if the sum of the municipality's  
24 outstanding urban renewal indebtedness plus any outstanding  
25 indebtedness of the municipality that is subject to the debt  
26 limitation in Article XI, section 3, of the Iowa Constitution  
27 and not payable from the municipality's special fund exceeds an  
28 amount equal to 5 percent of the value of the taxable property  
29 within the municipality.

30 New Code section 403.18A provides that each municipality  
31 having an urban renewal area in existence on the effective  
32 date of the bill that is subject to a division of revenue  
33 that is not limited in duration under either Code section  
34 403.17, subsection 10 (20 years) or Code section 403.22,  
35 subsection 5 (10 years) shall be subject to the limitation

1 provided for in the bill. Under the bill, when calculating  
2 a division of revenue for such an urban renewal area for  
3 a fiscal year beginning on or after July 1, 2015, and for  
4 which the difference between the year of the assessment roll  
5 referred to in Code section 403.19, subsection 1, and the year  
6 of the assessment roll used to calculate the total amount of  
7 property taxes under Code section 403.19 for the fiscal year  
8 in which the taxes are due and payable, exceeds 20 years,  
9 the year of the assessment roll referred to in Code section  
10 403.19, subsection 1, shall be adjusted by increasing the year  
11 of the assessment roll by two assessment years. Following  
12 this initial adjustment, the year of the assessment roll  
13 used to calculate the amount of taxes referred to in Code  
14 section 403.19, subsection 1, shall be further increased in  
15 each subsequent fiscal year by two assessment years until the  
16 assessment roll to calculate the amount of taxes referred to in  
17 Code section 403.19, subsection 1, is later in time than the  
18 year of the assessment roll used to calculate the total amount  
19 of property taxes under Code section 403.19 for the fiscal year  
20 in which the taxes are due and payable, at which time the urban  
21 renewal area including all applicable urban renewal plans,  
22 projects, and ordinances providing for a division of revenue  
23 shall terminate and be of no further force and effect.

24 For those urban renewal areas identified in the bill that  
25 are subject to a division of revenue that is not limited in  
26 duration under current law, following the fiscal year for which  
27 the difference between the year of the assessment roll used  
28 to calculate the amount of taxes referred to in Code section  
29 403.19, subsection 1, and the year of the assessment roll  
30 used to calculate the total amount of property taxes subject  
31 to division under Code section 403.19 for the fiscal year in  
32 which taxes are due and payable, following an adjustment under  
33 the bill, is less than 20 years, but before the difference  
34 between the years of the assessment rolls, as adjusted under  
35 the bill, is less than 15 years, if the governing bodies of all



1 affected taxing entities irrevocably authorize, by resolution,  
2 the municipality to modify the year of the assessment roll used  
3 to calculate the amount of taxes referred to in Code section  
4 403.19, subsection 1, the municipality may modify the year of  
5 the applicable assessment roll to be the assessment roll used  
6 to calculate the amount of taxes referred to in Code section  
7 403.19, subsection 1, for the fiscal year in which the last  
8 affected taxing entity adopted the resolution. That assessment  
9 roll shall then be used for each subsequent fiscal year  
10 following the fiscal year in which the last affected taxing  
11 entity adopted the resolution until such time that the urban  
12 renewal area is dissolved or until such time that the urban  
13 renewal area is terminated under the provisions of the bill,  
14 whichever is earlier.

15 The bill provides that except for certain divisions of  
16 revenue authorized for certain housing and residential  
17 development under Code section 403.22, an ordinance providing  
18 for a division of revenue under Code section 403.19 that is  
19 adopted on or after the effective date of the bill shall be  
20 limited to 20 years from the calendar year following the  
21 calendar year in which the municipality first certifies to the  
22 county auditor the amount of any loans, advances, indebtedness,  
23 or bonds which qualify for payment from the division of revenue  
24 provided in Code section 403.19. Under the bill, the urban  
25 renewal area, including all applicable urban renewal plans,  
26 projects, and ordinances shall terminate and be of no further  
27 force and effect following the 20-year period provided in the  
28 bill.

29 The bill takes effect upon enactment.